

Household Expenditure and Consumption Levels

We focus first on farm households, exploring which components contribute most to differences between farm household consumption and expenditures. We then turn to benchmarking the new ARMS measure against the CE measure.

Comparing Expenditure and Consumption Measures for Farm Households

Table 4 reports and figure 2 illustrates estimated means for components of expenditures and consumption for farm and all U.S. households. We consider first the farm household indicators. At the aggregate level, mean farm household consumption (\$42,368) is 14 percent higher than mean farm household expenditures (\$37,288). Similarly, on a per-person basis, mean equivalent-consumption (\$27,141) is also 14 percent higher than mean equivalent-expenditures (\$23,810).

The largest difference between farm expenditures and consumption is attributable to the housing component. The ARMS expenditure measure is substantially lower than consumption because three-quarters of farm households

Table 4

Comparison of mean household expenditures and consumption by component, across farm operator and all U.S. households, 2006

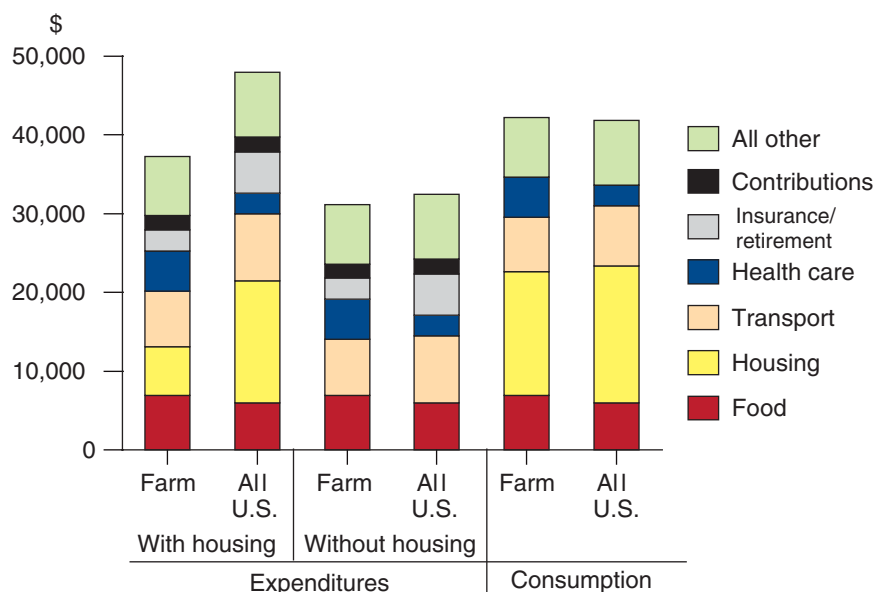
Category	Farm households (ARMS)				All U.S. households (CE)			
	Expenditures		Consumption		Expenditures		Consumption	
	\$	%	\$	%	\$	%	\$	%
Food	6,968	18.7	6,968	16.4	6,003	12.5	6,003	14.3
Housing (total)	6,137	16.5	15,658	37.0	15,504	32.3	17,380	41.5
Shelter services	1,472	3.9	10,993	25.9	11,187	23.3	13,063	31.2
Operating expenses	4,665	12.5	4,665	11.0	4,317	9.0	4,317	10.3
Transport (total)	7,091	19.0	6,919	16.3	8,472	17.7	7,608	18.2
Vehicle services	3,414	9.2	3,242	7.7	4,411	9.2	3,547	8.5
Operating expenses	3,677	9.9	3,677	8.7	4,061	8.5	4,061	9.7
Health care (total)	5,097	13.7	5,097	12.0	2,609	5.4	2,609	6.2
Health/dental insurance (household share)	2,991	8.0	2,991	7.1	1,465	3.1	1,465	3.5
Out-of-pocket medical care expenditures	2,106	5.6	2,106	5.0	1,143	2.4	1,143	2.7
Personal insurance and retirement plans	2,690	7.2	--		5,270	11.0	--	
Contributions (outside of household)	1,756	4.7	--		1,869	3.9	--	
All other	7,549	20.2	7,549	17.8	8,252	17.2	8,252	19.7
Home consumption of farm produce	--		177	0.4	--		--	
TOTAL (mean)	37,288	100	42,368	100	47,979	100	41,852	100
TOTAL (median)	29,770		36,000		35,959		35,159	
TOTAL- per-person-equivalent (mean)	23,810		27,141		32,270		28,137	
TOTAL- per-person-equivalent (median)	19,320		23,092		24,409		24,001	

* Though the CE accounting does not count mortgage principal as an expenditure (but rather as a change in household assets), we do count it as an expenditure in our accounting here.

Sources: USDA, Economic Research Service using Agricultural Resource Management Survey, 2006, and Consumer Expenditure Survey, 2006.

Figure 2

Average expenditures and consumption, by component, of farm operator and all U.S. households, 2006



Source: USDA, Economic Research Service using Agricultural Resource Management Survey, 2006, and Consumer Expenditure Survey, 2006.

report they live in a residence owned by the farm, and so incur no outlays for shelter. Because the consumption measure includes a value for housing shelter services for that group, the average value of housing shelter services jumps to \$10,993 from an average expenditure value of \$1,472, and the value of total housing (which also includes operating costs) increases from \$6,137 in mean expenditures to \$15,658 in mean consumption. This adjustment raises total farm household expenditures by 26 percent.

Replacing current outlays for vehicle purchases with estimated vehicle services made little difference on the aggregate level, resulting in a reduction relative to total expenditures of less than 0.5 percent. On the individual level, however, consumption is lower than expenditures for those who purchased vehicles in 2006, and higher for those who did not.

Including the market value of farm production for household consumption adds less than 1 percent to the consumption estimate. (The value of food purchased with food stamps, another in-kind source, cannot be distinguished from other food expenditures.) The deductions of (1) retirement savings and life/disability insurance and (2) contributions to individuals outside the household represent 7.2 percent and 4.7 percent of total expenditures, respectively (table 4).

Benchmarking Farm Household (ARMS) Estimates With All U.S. Household (CE) Estimates

Figure 2 illustrates the expenditure and consumption measures, by component, for both farm and all U.S. households. The CE estimated mean household expenditures for all U.S. households are close to 30 percent higher than the ARMS estimated mean for farm households; however, if we exclude housing from the measure, U.S. household expenditures are essentially the same as farm household expenditures.

The estimates of mean household consumption are quite similar for the two populations (\$42,368 for farm versus \$41,852 for all U.S. households). The per-person equivalent-consumption estimates are \$27,141 for farm versus \$28,137 for all U.S. households.

The shares of consumption/expenditures accounted for by health care and food are higher for farm households than for all U.S. households; the shares spent on housing and “all else” are lower, with transport shares essentially the same. The absolute size of the differences in consumption levels between farm and all U.S. households is greatest for health care (+\$2,488), followed closely by housing (-\$1,744). The major difference in housing is in “shelter services,” which reflects the lower housing values in nonmetro areas (Jolliffe, 2006), where farm households are much more prevalent. Higher health care expenditures among farm households are consistent with findings in other studies using alternative farm household data sets (Access Project, 2007).¹²

¹²A recent study compared health expenditure data from ARMS for farm households with data from the Medical Expenditure Panel Study for all U.S. households, which allows for more detailed decomposition of the differences (Jones et al., 2009). Health expenditures tend to be higher for all types of insurance coverage (including lack of insurance) among farm households compared to all U.S. households; however, the predominant source of the difference is the larger share of nonelderly farm households holding private direct-purchase insurance (17.9 percent for farm households versus 6.5 percent for all U.S. households), the type with the highest average household health expenditures (\$7,389 for all U.S. households compared to \$9,110 for farm households).